

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96**

HARRIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

JULY 31, 2018

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harris County Water Control and
Improvement District No. 96
Harris County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Harris County Water Control and Improvement District No. 96 (the "District"), as of and for the year ended July 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of July 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 96 MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JULY 31, 2018

Management's discussion and analysis of Harris County Water Control and Improvement District No. 96's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended July 31, 2018. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District's assets, liabilities and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenditures are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund in addition to the general operations of the District. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2018**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$16,862,187 as of July 31, 2018.

A portion of the District's net position reflects its net investment in capital assets (e.g. land and land improvements, construction in progress, building and park improvements and water, wastewater and drainage facilities, less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water and wastewater services.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following is a comparative analysis of government-wide changes in net position:

| | <u>Summary of Changes in the Statement of Net Position</u> | | |
|---|--|----------------------|---|
| | <u>2018</u> | <u>2017</u> | <u>Change Positive (Negative)</u> |
| Current and Other Assets | \$ 21,312,098 | \$ 22,362,080 | \$ (1,049,982) |
| Capital Assets (Net of Accumulated Depreciation) | <u>44,691,558</u> | <u>43,183,052</u> | <u>1,508,506</u> |
| Total Assets | <u>\$ 66,003,656</u> | <u>\$ 65,545,132</u> | <u>\$ 458,524</u> |
| Deferred Outflows of Resources | \$ 816,270 | \$ 879,698 | \$ (63,428) |
| Long -Term Liabilities | \$ 45,210,606 | \$ 48,073,751 | \$ 2,863,145 |
| Other Liabilities | <u>4,747,133</u> | <u>4,686,286</u> | <u>(60,847)</u> |
| Total Liabilities | <u>\$ 49,957,739</u> | <u>\$ 52,760,037</u> | <u>\$ 2,802,298</u> |
| Net Position: | | | |
| Net Investment in Capital Assets | \$ 1,494,237 | \$ (1,433,760) | \$ 2,927,997 |
| Restricted | 6,884,951 | 7,002,975 | (118,024) |
| Unrestricted | <u>8,482,999</u> | <u>8,095,578</u> | <u>387,421</u> |
| Total Net Position | <u>\$ 16,862,187</u> | <u>\$ 13,664,793</u> | <u>\$ 3,197,394</u> |

The following table provides a summary of the District's operations for the years ended July 31, 2018, and July 31, 2017. The District's net position increased by \$3,197,394 during the current fiscal year, accounting for a 23.4% increase in net position.

| | <u>Summary of Changes in the Statement of Activities</u> | | |
|---------------------------------|--|----------------------|---|
| | <u>2018</u> | <u>2017</u> | <u>Change Positive (Negative)</u> |
| Revenues: | | | |
| Property Taxes | \$ 7,355,351 | \$ 7,171,873 | \$ 183,478 |
| Charges for Services | 2,809,294 | 2,600,233 | 209,061 |
| Other Revenues | <u>240,987</u> | <u>115,129</u> | <u>125,858</u> |
| Total Revenues | \$ 10,405,632 | \$ 9,887,235 | \$ 518,397 |
| Expenses for Services | <u>7,208,238</u> | <u>7,036,178</u> | <u>(172,060)</u> |
| Change in Net Position | 3,197,394 | 2,851,057 | 346,337 |
| Net Position, Beginning of Year | <u>13,664,793</u> | <u>10,813,736</u> | <u>2,851,057</u> |
| Net Position, End of Year | <u>\$ 16,862,187</u> | <u>\$ 13,664,793</u> | <u>\$ 3,197,394</u> |

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2018**

The District's combined fund balances as of July 31, 2018, were \$19,741,598, a decrease of \$1,042,163 from the prior year.

The General Fund fund balance increased by \$306,347, due to service revenues exceeding operating costs.

The Debt Service Fund fund balance decreased by \$99,320, primarily due to the structure of the District's outstanding debt service.

The Capital Projects Fund fund balance decreased by \$1,249,190. This decrease was mainly related to capital outlay incurred during the year for erosion repairs to Phase 2 of the P133 channel.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues were \$342,144 more than budgeted mainly due to higher than anticipated property tax revenues, investment earnings and tap connection and inspection fees. Actual expenditures were \$1,359,429 more than budgeted mainly due to higher than budgeted capital outlay.

CAPITAL ASSETS

The District's capital assets as of July 31, 2018, amounted to \$44,691,558 (net of accumulated depreciation). These capital assets include land and improvements, construction in progress, building and park improvements, as well as the water, wastewater and drainage systems, and water and wastewater impact fees.

Some of the significant capital asset additions during the current fiscal year include:

- P133 Erosion Repairs
- P166 Slope Repair
- Soil Stabilization Project
- Camera System for Fall Creek Sports Park Facility
- Bottle Refilling Station

Construction in progress at July 31, 2018 included:

- Reclaimed Water System
- Lift Station No. 5
- Water Well No. 1
- Water Plant Water Well and Hydrotank

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2018**

CAPITAL ASSETS (Continued)

| Capital Assets At Year-End, Net of Accumulated Depreciation | | | Change Positive (Negative) |
|---|---------------|---------------|----------------------------------|
| | 2018 | 2017 | |
| Capital Assets Not Being Depreciated: | | | |
| Land and Land Improvements | \$ 1,769,173 | \$ 1,769,173 | \$ |
| Construction in Progress | 2,312,492 | 811,944 | 1,500,548 |
| Capital Assets, Net of Accumulated Depreciation: | | | |
| Building and Park Improvements | 2,578,125 | 2,759,663 | (181,538) |
| Water System | 6,751,310 | 7,030,235 | (278,925) |
| Wastewater System | 7,251,477 | 7,501,685 | (250,208) |
| Drainage System | 22,433,717 | 21,653,365 | 780,352 |
| Impact Fees-Water | 7,391 | 7,712 | (321) |
| Impact Fees-Wastewater | 1,587,873 | 1,649,275 | (61,402) |
| Total Net Capital Assets | \$ 44,691,558 | \$ 43,183,052 | \$ 1,508,506 |

Additional information on the District's capital assets can be found in Note 7 of this report.

LONG TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total bond debt payable of \$47,195,000.

The changes in the debt position of the District during the fiscal year ended July 31, 2018, are summarized as follows:

| | |
|-----------------------------------|---------------|
| Bond Debt Payable, August 1, 2017 | \$ 49,980,000 |
| Less: Bond Principal Paid | 2,785,000 |
| Bond Debt Payable, July 31, 2018 | \$ 47,195,000 |

The District's bonds carry an underlying rating of "A" by Standard and Poor's. The Series 2008, 2009, 2010, 2011 Refunding, 2012 Refunding, 2015 Refunding, and 2016 Refunding bonds carry a "AA" rating by virtue of bond insurance issued by Assured Guaranty. The Series 2013 Refunding, Series 2014 and Series 2016 bonds carry a "AA" rating by virtue of bond insurance issued by Build America Mutual Assurance Company. The Series 2014 Refunding bonds carry a "AA" rating by virtue of bond insurance issued by Municipal Assurance Corporation. The ratings above are as of July 31, 2018.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JULY 31, 2018**

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

The adopted budget for fiscal year 2019 projects an increase of \$308,692 in General Fund fund balance. Compared to the fiscal year 2018 budget, revenues are expected to increase by approximately \$382,000 and expenditures are expected to increase by approximately \$1,397,000. The fiscal year 2019 tax rate has been established at \$0.84 on each \$100 of taxable value. Approximately 43% of the property tax will be used to fund general operations with the remaining 57% of the property tax set aside for debt service.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Harris County Water Control and Improvement District No. 96, c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Blvd., Suite 1380, Houston, TX 77056.

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**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2018**

| | General Fund | Debt Service Fund |
|---|---------------------|----------------------|
| ASSETS | | |
| Cash | \$ 1,373,621 | \$ 977,919 |
| Investments | 7,888,563 | 6,482,952 |
| Receivables: | | |
| Property Taxes | 46,660 | 98,362 |
| Penalty and Interest on Delinquent Taxes | | 61,911 |
| Service Accounts (Net of Allowance for Doubtful Accounts of \$2,000) | 184,377 | |
| Accrued Interest | 2,531 | 6,088 |
| Other | 37,126 | |
| Due from Other Funds | 74,591 | |
| Prepaid Costs | | |
| Capital Assets (Net of Accumulated Depreciation): | | |
| Land and Land Improvements | | |
| Construction in Progress | | |
| Building and Park Improvements | | |
| Water, Wastewater and Drainage Systems | | |
| Impact Fees - Water and Wastewater | | |
| TOTAL ASSETS | \$ 9,607,469 | \$ 7,627,232 |
| DEFERRED OUTFLOW OF RESOURCES | | |
| Deferred Charges on Refunding Bonds | \$ -0- | \$ -0- |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 9,607,469 | \$ 7,627,232 |

The accompanying notes to the financial
statements are an integral part of this report.

| <u>Capital Projects Fund</u> | <u>Total</u> | <u>Adjustments</u> | <u>Statement of Net Position</u> |
|----------------------------------|----------------------|----------------------|--------------------------------------|
| \$ 3,282,437 | \$ 5,633,977 | \$ | \$ 5,633,977 |
| 769,610 | 15,141,125 | | 15,141,125 |
| | 145,022 | | 145,022 |
| | 61,911 | | 61,911 |
| | 184,377 | | 184,377 |
| | 8,619 | | 8,619 |
| | 37,126 | | 37,126 |
| | 74,591 | (74,591) | |
| | | 99,941 | 99,941 |
| | | 1,769,173 | 1,769,173 |
| | | 2,312,492 | 2,312,492 |
| | | 2,578,125 | 2,578,125 |
| | | 36,436,504 | 36,436,504 |
| | | 1,595,264 | 1,595,264 |
| <u>\$ 4,052,047</u> | <u>\$ 21,286,748</u> | <u>\$ 44,716,908</u> | <u>\$ 66,003,656</u> |
| <u>\$ -0-</u> | <u>\$ -0-</u> | <u>\$ 816,270</u> | <u>\$ 816,270</u> |
| <u>\$ 4,052,047</u> | <u>\$ 21,286,748</u> | <u>45,533,178</u> | <u>\$ 66,819,926</u> |

The accompanying notes to the financial statements are an integral part of this report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2018**

| | General Fund | Debt Service Fund |
|---|---------------------|----------------------|
| LIABILITIES | | |
| Accounts Payable | \$ 752,038 | \$ |
| Accrued Interest Payable | | |
| Retainage Payable | 192,422 | |
| Due to Other Funds | | 24,559 |
| Due to Taxpayers | | 39,215 |
| Security Deposits | 279,951 | |
| Long-Term Liabilities: | | |
| Bonds Payable, Due Within One Year | | |
| Bonds Payable, Due After One Year | | |
| TOTAL LIABILITIES | \$ 1,224,411 | \$ 63,774 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Property Taxes | \$ 46,660 | \$ 98,362 |
| Penalty and Interest on Delinquent Taxes | | 61,911 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | \$ 46,660 | \$ 160,273 |
| FUND BALANCES | | |
| Restricted for: | | |
| Authorized Construction | \$ | \$ |
| Debt Service | | 7,403,185 |
| Committed for Construction | 750,879 | |
| Unassigned | 7,585,519 | |
| TOTAL FUND BALANCES | \$ 8,336,398 | \$ 7,403,185 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 9,607,469 | \$ 7,627,232 |
| NET POSITION | | |
| Net Investment in Capital Assets | | |
| Restricted for Debt Service | | |
| Unrestricted | | |
| TOTAL NET POSITION | | |

The accompanying notes to the financial
statements are an integral part of this report.

| Capital Projects Fund | Total | Adjustments | Statement of Net Position |
|--------------------------|----------------------|------------------------|------------------------------|
| \$ | \$ 752,038 | \$ | \$ 752,038 |
| | | 678,507 | 678,507 |
| | 192,422 | | 192,422 |
| 50,032 | 74,591 | (74,591) | |
| | 39,215 | | 39,215 |
| | 279,951 | | 279,951 |
| | | 2,805,000 | 2,805,000 |
| | | 45,210,606 | 45,210,606 |
| <u>\$ 50,032</u> | <u>\$ 1,338,217</u> | <u>\$ 48,619,522</u> | <u>\$ 49,957,739</u> |
| \$ | \$ 145,022 | \$ (145,022) | \$ |
| | 61,911 | (61,911) | |
| <u>\$ -0-</u> | <u>\$ 206,933</u> | <u>\$ (206,933)</u> | <u>\$ -0-</u> |
| \$ 4,002,015 | \$ 4,002,015 | \$ (4,002,015) | \$ |
| | 7,403,185 | (7,403,185) | |
| | 750,879 | (750,879) | |
| | 7,585,519 | (7,585,519) | |
| <u>\$ 4,002,015</u> | <u>\$ 19,741,598</u> | <u>\$ (19,741,598)</u> | <u>\$ - 0 -</u> |
| <u>\$ 4,052,047</u> | <u>\$ 21,286,748</u> | | |
| | | \$ 1,494,237 | \$ 1,494,237 |
| | | 6,884,951 | 6,884,951 |
| | | 8,482,999 | 8,482,999 |
| | | <u>\$ 16,862,187</u> | <u>\$ 16,862,187</u> |

The accompanying notes to the financial statements are an integral part of this report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JULY 31, 2018**

Total Fund Balances - Governmental Funds \$ 19,741,598

Amounts reported for governmental activities in the Statement of Net Position are different because:

Prepaid bond insurance is amortized over the term of the bonds. 99,941

Deferred charges on a refunding bond sale is a deferred outflow of resources in the governmental activities. 816,270

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 44,691,558

Deferred inflows of resources related to property taxes and penalty and interest on delinquent taxes for the 2017 and prior tax levies become part of recognized revenue in the governmental activities of the District. 206,933

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

| | | |
|-------------------------------|---------------------|---------------------|
| Accrued Interest Payable | \$ (678,507) | |
| Bonds Payable Within One Year | (2,805,000) | |
| Bonds Payable After One Year | <u>(45,210,606)</u> | <u>(48,694,113)</u> |

Total Net Position - Governmental Activities \$ 16,862,187

The accompanying notes to the financial statements are an integral part of this report.

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**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2018**

| | <u>General Fund</u> | <u>Debt Service Fund</u> |
|--|---------------------|------------------------------|
| REVENUES | | |
| Property Taxes | \$ 3,081,916 | \$ 4,325,677 |
| Water Service | 1,678,834 | |
| Wastewater Service | 809,092 | |
| Sales Tax Revenues | 99,448 | |
| Penalty and Interest | 25,667 | 73,284 |
| Tap Connection and Inspection Fees | 137,875 | |
| Investment Revenues | 92,758 | 73,128 |
| Miscellaneous Revenues | 54,054 | 225 |
| TOTAL REVENUES | <u>\$ 5,979,644</u> | <u>\$ 4,472,314</u> |
| EXPENDITURES/EXPENSES | | |
| Service Operations: | | |
| Professional Fees | \$ 202,763 | \$ 19,780 |
| Contracted Services | 894,860 | 91,662 |
| Purchased Water Service | 1,409,568 | |
| Purchased Wastewater Service | 511,640 | |
| Utilities | 104,438 | |
| Repairs and Maintenance | 681,597 | |
| Depreciation | | |
| Other | 183,485 | 11,217 |
| Capital Outlay | 1,684,946 | |
| Debt Service: | | |
| Bond Principal | | 2,785,000 |
| Bond Interest | | 1,663,975 |
| TOTAL EXPENDITURES/EXPENSES | <u>\$ 5,673,297</u> | <u>\$ 4,571,634</u> |
| NET CHANGE IN FUND BALANCES | \$ 306,347 | \$ (99,320) |
| CHANGE IN NET POSITION | | |
| FUND BALANCES/NET POSITION - AUGUST 1, 2017 | <u>8,030,051</u> | <u>7,502,505</u> |
| FUND BALANCES/NET POSITION - JULY 31, 2018 | <u>\$ 8,336,398</u> | <u>\$ 7,403,185</u> |

The accompanying notes to the financial
statements are an integral part of this report.

| Capital Projects Fund | Total | Adjustments | Statement of Activities |
|--------------------------|----------------------|-----------------------|----------------------------|
| \$ | \$ 7,407,593 | \$ (52,242) | \$ 7,355,351 |
| | 1,678,834 | | 1,678,834 |
| | 809,092 | | 809,092 |
| | 99,448 | | 99,448 |
| | 98,951 | (14,906) | 84,045 |
| | 137,875 | | 137,875 |
| 20,822 | 186,708 | | 186,708 |
| | 54,279 | | 54,279 |
| <u>\$ 20,822</u> | <u>\$ 10,472,780</u> | <u>\$ (67,148)</u> | <u>\$ 10,405,632</u> |
| \$ | \$ 222,543 | \$ | \$ 222,543 |
| | 986,522 | | 986,522 |
| | 1,409,568 | | 1,409,568 |
| | 511,640 | | 511,640 |
| | 104,438 | | 104,438 |
| | 681,597 | | 681,597 |
| | | 1,438,484 | 1,438,484 |
| 599 | 195,301 | 7,369 | 202,670 |
| 1,269,413 | 2,954,359 | (2,954,359) | |
| | 2,785,000 | (2,785,000) | |
| | 1,663,975 | (13,199) | 1,650,776 |
| <u>\$ 1,270,012</u> | <u>\$ 11,514,943</u> | <u>\$ (4,306,705)</u> | <u>\$ 7,208,238</u> |
| \$ (1,249,190) | \$ (1,042,163) | \$ 1,042,163 | \$ |
| | | 3,197,394 | 3,197,394 |
| <u>5,251,205</u> | <u>20,783,761</u> | <u>(7,118,968)</u> | <u>13,664,793</u> |
| <u>\$ 4,002,015</u> | <u>\$ 19,741,598</u> | <u>\$ (2,879,411)</u> | <u>\$ 16,862,187</u> |

The accompanying notes to the financial statements are an integral part of this report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2018**

| | |
|--|---------------------|
| Net Change in Fund Balances - Governmental Funds | \$ (1,042,163) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied. | (52,242) |
| Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed. | (14,906) |
| Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities. | (1,438,484) |
| Governmental funds report capital outlays as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected. | 2,954,359 |
| Governmental funds report bond insurance as expenditures and bond discounts and bond premiums as other financing sources (uses) in the year paid. However, in the Statement of Net Position, the bond insurance, deferred charges on refunding bonds, bond discounts and bond premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities. | (16,378) |
| Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities. | 2,785,000 |
| Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end. | 29,577 |
| The net book value of assets disposed of is recognized as an expense in the Statement of Activities. | <u>(7,369)</u> |
| Change in Net Position - Governmental Activities | <u>\$ 3,197,394</u> |

The accompanying notes to the financial statements are an integral part of this report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 1. CREATION OF DISTRICT

Harris County Water Control and Improvement District No. 96 of Harris County, Texas (the “District”) was created effective June 16, 1966 by an Order of the Texas Water Rights Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 51 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting in 1966. The first bonds were sold on January 16, 2003.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as all long-term debt and other obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated to obtain net total revenues and expenses of the government-wide Statement of Activities.

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

General Fund - To account for financial resources used for general operations that are not required to be accounted for in another fund, including customer service revenues, costs and general expenditures. It is a budgeted fund, and any unassigned fund balance is considered available for current operations.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of July 31, 2018, the District’s Debt Service Fund owed the General Fund \$24,559 for maintenance tax collections and the Capital Projects Fund owed the General Fund \$50,032 for construction related costs.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Service Accounts Receivable

The District provides for uncollectible accounts receivable through the allowance method of accounting. Under this method, a provision for uncollectible accounts is charged to bad debt expense, and the allowance account is increased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the account. At July 31, 2018, the District had an allowance for doubtful accounts of \$2,000.

Capital Assets

Capital assets, which include land and improvements, construction in process, property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs, are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

| | <u>Years</u> |
|---------------------|--------------|
| Buildings | 40 |
| Water System | 10-45 |
| Wastewater System | 10-45 |
| Drainage System | 10-40 |
| All Other Equipment | 3-20 |

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service determined that directors are considered to be “employees” for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. See Note 15 for explanation of funds committed by the District.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District does not have any assigned funds.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3. BONDS PAYABLE

| | <u>Series 2008</u> | <u>Series 2009</u> |
|------------------------------------|---------------------------|---------------------------|
| Amount Outstanding – July 31, 2018 | \$ 1,675,000 | \$ 775,000 |
| Interest Rates | 4.00% - 4.50% | 4.20% - 5.00% |
| Maturity Date | September 1, 2018/2033 | September 1, 2018/2021 |
| Interest Payment Dates | September 1/ March 1 | September 1/ March 1 |
| Callable Dates | September 1, 2017* | September 1, 2018* |

* Or any date thereafter at a price of par plus unpaid accrued interest in whole or in part, at the option of the District. Series 2008 term bonds maturing on September 1, 2029, September 1, 2031, and September 1, 2033, are subject to mandatory redemption by random selection beginning September 1, 2028, September 1, 2030, and September 1, 2032, respectively.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 3. BONDS PAYABLE (Continued)

| | <u>Series 2010</u> | <u>Series 2011 Refunding</u> | <u>Series 2012 Refunding</u> |
|------------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Amount Outstanding – July 31, 2018 | \$ 4,575,000 | \$ 3,035,000 | \$ 8,330,000 |
| Interest Rates | 4.00% - 5.25% | 2.50% - 4.00% | 2.00% - 4.00% |
| Maturity Date | September 1, 2018/2033 | September 1, 2018/2026 | September 1, 2018/2027 |
| Interest Payment Dates | September 1/ March 1 | September 1/ March 1 | September 1/ March 1 |
| Callable Dates | September 1, 2018** | September 1, 2019** | September 1, 2019** |
| | <u>Series 2013 Refunding</u> | <u>Series 2014</u> | <u>Series 2014 Refunding</u> |
| Amount Outstanding – July 31, 2018 | \$ 5,995,000 | \$ 5,380,000 | \$ 3,325,000 |
| Interest Rates | 2.00% - 4.00% | 2.00% - 4.25% | 2.00% - 4.00% |
| Maturity Date | September 1, 2018/2028 | September 1, 2018/2033 | September 1, 2018/2031 |
| Interest Payment Dates | September 1/ March 1 | September 1/ March 1 | September 1/ March 1 |
| Callable Dates | September 1, 2019** | September 1, 2020** | September 1, 2022** |

** Or any date thereafter at a price of par plus unpaid accrued interest in whole or in part, at the option of the District. Series 2010 term bonds maturing September 1, 2029, September 1, 2031, and September 1, 2033, are subject to mandatory redemption by random selection beginning September 1, 2028, September 1, 2030, and September 1, 2032, respectively. Series 2014 term bonds maturing September 1, 2029, September 1, 2031, and September 1, 2033, are subject to mandatory redemption by random selection beginning September 1, 2028, September 1, 2030, and September 1, 2032, respectively.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 3. BONDS PAYABLE (Continued)

| | Series 2015 Refunding | Series 2016 | Series 2016 Refunding |
|------------------------------------|---------------------------|---------------------------|---------------------------|
| Amount Outstanding – July 31, 2018 | \$ 5,020,000 | \$ 3,750,000 | \$ 5,335,000 |
| Interest Rates | 2.00% - 4.00% | 2.00% - 3.00% | 2.00% - 4.00% |
| Maturity Date | September 1, 2018/2033 | September 1, 2018/2033 | September 1, 2018/2031 |
| Interest Payment Dates | September 1/ March 1 | September 1/ March 1 | September 1/ March 1 |
| Callable Dates | September 1, 2022*** | September 1, 2023*** | September 1, 2024*** |

*** Or any date thereafter at a price of par plus unpaid accrued interest in whole or in part, at the option of the District. Series 2016 term bonds maturing September 1, 2029, September 1, 2031, and September 1, 2033, are subject to mandatory redemption by random selection beginning September 1, 2028, September 1, 2030, and September 1, 2032, respectively.

The following is a summary of transactions regarding bonds payable for the year ended July 31, 2018:

| | August 1, 2017 | Additions | Retirements | July 31, 2018 |
|-----------------------|----------------------|----------------------------|-----------------------|----------------------|
| Bonds Payable | \$ 49,980,000 | \$ | \$ (2,785,000) | \$ 47,195,000 |
| Unamortized Discounts | (246,903) | | 35,471 | \$ (211,432) |
| Unamortized Premiums | 1,125,654 | | (93,616) | \$ 1,032,038 |
| Bonds Payable, net | <u>\$ 50,858,751</u> | <u>\$ -0-</u> | <u>\$ (2,843,145)</u> | <u>\$ 48,015,606</u> |
| | | Amount Due Within One Year | | \$ 2,805,000 |
| | | Amount Due After One Year | | 45,210,606 |
| | | Bonds Payable, net | | <u>\$ 48,015,606</u> |

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 3. BONDS PAYABLE (Continued)

As of July 31, 2018, the debt service requirements on the bonds outstanding were as follows:

| Fiscal Year | Principal Due | Interest | Total |
|-------------|----------------------|----------------------|----------------------|
| 2019 | 2,805,000 | 1,593,551 | 4,398,551 |
| 2020 | 2,845,000 | 1,521,071 | 4,366,071 |
| 2021 | 2,900,000 | 1,440,385 | 4,340,385 |
| 2022 | 2,975,000 | 1,353,101 | 4,328,101 |
| 2023 | 3,050,000 | 1,262,513 | 4,312,513 |
| 2024-2028 | 16,220,000 | 4,690,570 | 20,910,570 |
| 2029-2033 | 14,420,000 | 1,749,723 | 16,169,723 |
| 2034 | 1,980,000 | 40,647 | 2,020,647 |
| | <u>\$ 47,195,000</u> | <u>\$ 13,651,561</u> | <u>\$ 60,846,561</u> |

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

In prior years, the District defeased certain outstanding general obligation bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all the future debt service payments on the old bonds. Accordingly, the trust account assets and the defeased bonds are not included in the District's financial statements. At July 31, 2018, outstanding bonds of \$3,600,000 are considered defeased.

The District has additional authorized but unissued tax bonds totaling \$25,520,000, authorized but unissued refunding bonds totaling \$129,787,304, and authorized but unissued park bonds totaling \$2,685,000.

During the year ended July 31, 2018, the District levied an ad valorem debt service tax at the rate of \$0.49 per \$100 of assessed valuation, which resulted in a tax levy of \$4,316,001 on the adjusted taxable valuation of \$880,816,577 for the 2017 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 8 for the maintenance tax levy.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 3. BONDS PAYABLE (Continued)

The District's tax calendar is as follows:

- Levy Date - October 1 or as soon thereafter as practicable.
- Lien Date - January 1.
- Due Date - Not later than January 31.
- Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to the state information depository. This information, along with the audited annual financial statements, is to be provided within six (6) months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

The bond orders state the District will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the Bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five year anniversary of each issue.

NOTE 5. DEFERRED OUTFLOWS OF RESOURCES

The following is a summary of changes in deferred outflows of resources for the year ended July 31, 2018:

| | August 1, 2017 | Additions | Retirements | July 31, 2018 |
|--------------------------------|-------------------|-----------|-------------|------------------|
| Deferred Charges on Refundings | \$ 879,698 | \$ -0- | \$ (63,428) | \$ 816,270 |

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 6. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$7,683,834 and the bank balance was \$7,687,475. Of the bank balance, \$2,253,415 was covered by federal depository insurance and the remaining balance was covered by collateral pledged in the name of the District and held in a third party depository.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at July 31, 2018, as listed below:

| | <u>Cash</u> | <u>Certificates of Deposit</u> | <u>Total</u> |
|-----------------------|---------------------|------------------------------------|---------------------|
| GENERAL FUND | \$ 1,373,621 | \$ 739,857 | \$ 2,113,478 |
| DEBT SERVICE FUND | 977,919 | 1,310,000 | 2,287,919 |
| CAPITAL PROJECTS FUND | <u>3,282,437</u> | <u> </u> | <u>3,282,437</u> |
| TOTAL DEPOSITS | <u>\$ 5,633,977</u> | <u>\$ 2,049,857</u> | <u>\$ 7,683,834</u> |

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 6. DEPOSITS AND INVESTMENTS

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 6. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of July 31, 2018, the District had the following investments and maturities:

| Fund and Investment Type | Fair Value | Maturities in Years | | | |
|------------------------------|-----------------------------|-----------------------------|------------------------|------------------------|------------------------|
| | | Less Than 1 | 1-5 | 6-10 | More Than 10 |
| <u>GENERAL FUND</u> | | | | | |
| TexPool | \$ 7,148,706 | \$ 7,148,706 | \$ | \$ | \$ |
| Certificates of Deposit | 739,857 | 739,857 | | | |
| <u>DEBT SERVICE FUND</u> | | | | | |
| TexPool | 5,172,952 | 5,172,952 | | | |
| Certificates of Deposit | 1,310,000 | 1,310,000 | | | |
| <u>CAPITAL PROJECTS FUND</u> | | | | | |
| TexPool | 769,610 | 769,610 | | | |
| TOTAL INVESTMENTS | <u>\$ 15,141,125</u> | <u>\$ 15,141,125</u> | <u>\$ - 0 -</u> | <u>\$ - 0 -</u> | <u>\$ - 0 -</u> |

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At July 31, 2018, the District's investment in TexPool was rated AAAM by Standard and Poor's. The District manages credit risk by investing in certificates of deposit with balances that are below FDIC insurance coverage.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended July 31, 2018:

| | August 1, 2017 | Increases | Decreases | July 31, 2018 |
|--|----------------------|---------------------|---------------------|----------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land and Land Improvements | \$ 1,769,173 | \$ | \$ | \$ 1,769,173 |
| Construction in Progress | <u>811,944</u> | <u>2,841,852</u> | <u>1,341,304</u> | <u>2,312,492</u> |
| Total Capital Assets Not Being Depreciated | <u>\$ 2,581,117</u> | <u>\$ 2,841,852</u> | <u>\$ 1,341,304</u> | <u>\$ 4,081,665</u> |
| Capital Assets Subject to Depreciation | | | | |
| Building and Park Improvements | \$ 3,600,652 | \$ 16,435 | \$ 12,446 | \$ 3,604,641 |
| Water System | 9,346,111 | | | 9,346,111 |
| Wastewater System | 10,393,760 | | | 10,393,760 |
| Drainage System | 28,753,140 | 1,437,376 | | 30,190,516 |
| Impact Fees-Water | 12,538 | | | 12,538 |
| Impact Fees-Wastewater | <u>2,238,782</u> | | | <u>2,238,782</u> |
| Total Capital Assets Subject to Depreciation | <u>\$ 54,344,983</u> | <u>\$ 1,453,811</u> | <u>\$ 12,446</u> | <u>\$ 55,786,348</u> |
| Accumulated Depreciation | | | | |
| Building and Park Improvements | \$ 840,989 | \$ 190,604 | \$ 5,077 | \$ 1,026,516 |
| Water System | 2,315,876 | 278,925 | | 2,594,801 |
| Wastewater System | 2,892,075 | 250,208 | | 3,142,283 |
| Drainage System | 7,099,775 | 657,024 | | 7,756,799 |
| Impact Fees-Water | 4,826 | 321 | | 5,147 |
| Impact Fees-Wastewater | <u>589,507</u> | <u>61,402</u> | | <u>650,909</u> |
| Total Accumulated Depreciation | <u>\$ 13,743,048</u> | <u>\$ 1,438,484</u> | <u>\$ 5,077</u> | <u>\$ 15,176,455</u> |
| Total Depreciable Capital Assets, Net of Accumulated Depreciation | <u>\$ 40,601,935</u> | <u>\$ 15,327</u> | <u>\$ 7,369</u> | <u>\$ 40,609,893</u> |
| Total Capital Assets, Net of Accumulated Depreciation | <u>\$ 43,183,052</u> | <u>\$ 2,857,179</u> | <u>\$ 1,348,673</u> | <u>\$ 44,691,558</u> |

NOTE 8. MAINTENANCE TAX

On May 5, 2001, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.50 per \$100 of assessed valuation of taxable property within the District. During the current fiscal year, the District levied an ad valorem maintenance tax at the rate of \$0.35 per \$100 of assessed valuation, which resulted in a tax levy of \$3,082,858 on the taxable valuation of \$880,816,577 for the 2017 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 10. WATER SUPPLY CONTRACT WITH THE CITY OF HOUSTON

The District entered into a Water Supply Contract (the "Supply Contract") with the City of Houston (the "City") on May 17, 2001. Pursuant to the Supply Contract, the District agrees to construct all facilities necessary to enable it to receive water from the City's distribution system. The District's connection to the City's system will be metered. The District will be billed monthly once delivery of the water has commenced. The District's initial minimum quantity was 300,000 gallons per month. Effective January 1, 2015, the minimum monthly quantity was 18,347,000 gallons per month. The District must pay for the minimum monthly quantity whether or not the water is used. The District is entitled to revise its minimum monthly quantity no more than three times during the initial year of the contract term, twice during the second year, and once each year thereafter by providing written notice thereof to the Utility Official of the Department of Public Works and Engineering of the City. After the fourth year any revision resulting in an increase in excess of 10% of the current minimum monthly quantity will not be effective until approved in writing by the Utility Official. The charge for water shall be calculated in accordance with the rates for contract treated water customers that do not receive surface water only. At July 31, 2018, the rate for the minimum monthly quantity was \$3.064 per 1,000 gallons. However, if the District exceeds the minimum monthly quantity, surcharges apply. The rates charged by the City may be amended at any time. The agreement shall expire on the fortieth (40th) anniversary of the contract date. During the current fiscal year, the District recorded expenditures of \$1,389,400 related to this contract.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 11. WASTE DISPOSAL CONTRACT WITH THE CITY OF HOUSTON

The District entered into a Waste Disposal Contract with the City (“Waste Contract”) on July 9, 2001. Pursuant to the Waste Contract, the District agrees to construct all facilities necessary to enable it to convey its waste to the City’s facilities. The District will be billed monthly on the amount of wastewater delivered to the City. The amount of wastewater delivered to the City will be calculated by taking the total of all water the District delivers to its customers as measured by the customer meters, less the amount of water measured by any irrigation meters. The rate charged as of July 31, 2018 for wholesale sewer service is \$1.54 per 1,000 gallons for eligible conservation and reclamation districts that have purchased permanent treatment capacity in the City’s sewage treatment system. During the current fiscal year, the District recorded expenditures of \$ 511,640 related to this contract.

In addition, the District is required to make capital contributions to the City. These capital contributions were initially determined to be \$940 for each single-family residential customer receiving sewer treatment service from the District. During a prior fiscal year, this amount increased to \$1,105.90, and then increased to \$1,199.11. The District’s payment of this fee entitles it to the wholesale sewer service charge applicable to users under similar circumstances.

The District’s initial capacity must be at least 64 service units. During a prior fiscal year, the District reimbursed the Developer \$60,160 for the initial 64 service units. During prior fiscal years, the District purchased an additional 1,216 service units from the City at a cost of \$1,226,493 and an additional 644 service units from the City at a cost of \$772,237, and an additional 150 service units from the City at a cost of \$179,892. The District is entitled to purchase additional capacity from time to time if there is uncommitted capacity available in the City plant and the District files an application with the City for additional capacity. Each purchase of capacity must include wastewater capacity for at least a platted subdivision. Rates for future capacity purchases will be the same rates as the City sets for wastewater impact fees. This term of this contract is forty (40) years.

NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT

Effective July 11, 2006, the District entered into a Strategic Partnership Agreement (the “Agreement”) with the City. The Agreement provides that in accordance with Chapter 43 of the Local Government Code and the Act, the City shall annex a tract of land defined as the “Tract” for limited purposes as outlined in the Agreement. The District will continue to develop, to own, and to operate and maintain a water and wastewater system in the District.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT (Continued)

All taxable property within the District shall not be liable for any present or future debts of the City, and current and future taxes levied by the City shall not be levied on taxable property within the District. Upon the limited-purpose annexation of the Tract, the City's municipal courts shall have jurisdiction to adjudicate cases filed under the most current section of the Fire Code banning fireworks as adopted by City Council, and under state laws as set out in Article 4.14 of the Texas Code of Criminal Procedure, arising from actions occurring within the Tract. The District's assets, liabilities, indebtedness, and obligations will remain the responsibility of the District during the period of this agreement.

After the Tract is annexed for limited purposes by the City, the qualified voters of the Tract may vote in City elections pursuant to Local Government Code. The City is responsible for notifying the voters within the Tract.

The City shall impose a Sales and Use Tax within the boundaries of the Tract upon the limited-purpose annexation of the Tract. The Sales and Use Tax shall be imposed on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City agreed to pay to the District an amount equal to one-half of all Sales and Use Tax revenues generated within the boundaries of the Tract. The City agreed to deliver to the District its share of the sales tax receipts within thirty (30) days of the City receiving the funds from the State Controller's office.

The City agrees that it will not annex the District for full purposes or commence any action to annex the District for full purposes during the term of this Agreement. The term of this Agreement is thirty (30) years from the effective date of the agreement. During the current fiscal year, the District recorded revenues in the amount of \$99,448 related to the Agreement.

NOTE 13. EMERGENCY WATER SUPPLY CONTRACT

On April 24, 2006, the District executed an emergency water supply contract with Harris County Municipal Utility District No. 400 ("District No. 400"). The contract provides that each district will construct a water line to the point of interconnect. Each district will be responsible for the construction of the water line on their respective sides of the point of interconnect. The districts will share equally in the construction of the interconnect facilities. The price to be paid for water

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 13. EMERGENCY WATER SUPPLY CONTRACT (Continued)

delivered shall be billed at the then effective City of Houston rate for wholesale treated surface water customers per thousand gallons of average daily usage for the number of days water is received. Average daily usage shall be calculated in accordance with the provisions outlined in the contract. In the event the supplying party purchased all or a portion of the water supplied from an adjoining district, the receiving party shall pay the supplying party for water received at a rate per 1,000 gallons equal to the rate paid by the supplying party for such water in the event that such rate is greater than the City of Houston rate, as noted above. The term of the contract is for forty (40) years.

On April 22, 2010, the District executed an emergency water supply contract with Harris County Municipal Utility District No. 49 (“District No. 49”). The contract provides that each district will construct a water line to the point of interconnect. Each district will be responsible for the construction of the water line on their respective sides of the point of interconnect. District No. 49 will install the cutoff valve and locking valve cover at the point of interconnect and will be responsible for all costs of design and construction of such cutoff valve and locking valve cover. Both Districts shall have keys to the lock and shall have right of access to the valve box at all times. The price to be paid for water delivered shall be billed at the actual cost to the supplying party per thousand gallons of average daily usage for the number of days water is received. Average daily usage shall be calculated in accordance with the provisions outlined in the agreement. The term of the contract is for 50 years.

NOTE 14. WATER SUPPLY CONTRACT

On August 25, 2011, the District executed a water supply contract with District No. 49. The contract provides that District will construct a water line to the point of interconnect. District No. 49 will provide water service in an amount sufficient to serve approximately five domestic equivalent single-family connection and 91 equivalent single family connections for irrigation water at 400 gallons per day per connection. The rates charged will be the current rate charged by District No. 49 to in-district commercial and irrigation water users. The term of the contract is through July 31, 2021, but the contract may be extended for additional one-year terms in accordance with the provisions of the contract. The contract may be terminated upon 60 days written notice by the District.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2018**

NOTE 15. USE OF SURPLUS FUNDS AND ESCROW REQUIREMENT

On December 17, 2013, the District was directed by an order of the Commission to escrow a total of \$2,150,983 in Series 2014 bond proceeds for the non-potable water distribution system project. During fiscal year 2017, the District determined portions of the non-potable water distribution system project were no longer needed and should be released in order to fund the new water well and hydroneumatic tank project. On June 5, 2017, the Commission approved release of these funds from escrow. At July 31, 2018, the amount of Series 2014 bond proceeds required in escrow is \$603,787.

On December 3, 2015, the District was directed by an order of the Commission to escrow \$500,000 in Series 2016 bond proceeds for lift station no. 5. As of July 31, 2018, this amount remains in escrow.

On June 5, 2017, the Commission approved a change in project scope and approved the use of surplus Capital Projects Fund monies to release \$1,547,196 from escrow that was originally designated for non-potable water distribution system, reallocate \$1,222,706 of Series 2014 bond proceeds that was originally designated for reclaimed water distribution system and release \$130,098 of surplus funds related to Series 2014 bond proceeds to fund costs associated with the construction and engineering of the proposed water well and hydropneumatic tank project. As of July 31, 2018, \$750,879 of these funds were unspent and are reported as a committed fund balance in the General Fund.

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**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96**

REQUIRED SUPPLEMENTARY INFORMATION

JULY 31, 2018

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JULY 31, 2018**

| | Original and Final Budget | Actual | Variance Positive (Negative) |
|--------------------------------------|---------------------------------|---------------------|------------------------------------|
| REVENUES | | | |
| Property Taxes | \$ 2,926,300 | \$ 3,081,916 | \$ 155,616 |
| Water Service | 1,673,000 | 1,678,834 | 5,834 |
| Wastewater Service | 780,000 | 809,092 | 29,092 |
| Sales Tax Revenues | 90,000 | 99,448 | 9,448 |
| Penalty and Interest | 30,000 | 25,667 | (4,333) |
| Tap Connection and Inspection Fees | 77,900 | 137,875 | 59,975 |
| Investment Revenues | 7,500 | 92,758 | 85,258 |
| Miscellaneous Revenues | 52,800 | 54,054 | 1,254 |
| TOTAL REVENUES | \$ 5,637,500 | \$ 5,979,644 | \$ 342,144 |
| EXPENDITURES | | | |
| Services Operations: | | | |
| Professional Fees | \$ 196,300 | \$ 202,763 | \$ (6,463) |
| Contracted Services | 959,580 | 894,860 | 64,720 |
| Purchased Water Service | 1,320,000 | 1,409,568 | (89,568) |
| Purchased Wastewater Service | 480,000 | 511,640 | (31,640) |
| Utilities | 112,500 | 104,438 | 8,062 |
| Repairs and Maintenance | 612,000 | 681,597 | (69,597) |
| Other | 193,488 | 183,485 | 10,003 |
| Capital Outlay | 440,000 | 1,684,946 | (1,244,946) |
| TOTAL EXPENDITURES | \$ 4,313,868 | \$ 5,673,297 | \$ (1,359,429) |
| NET CHANGE IN FUND BALANCE | \$ 1,323,632 | \$ 306,347 | \$ (1,017,285) |
| FUND BALANCE - AUGUST 1, 2017 | 8,030,051 | 8,030,051 | |
| FUND BALANCE - JULY 31, 2018 | \$ 9,353,683 | \$ 8,336,398 | \$ (1,017,285) |

See accompanying independent auditor's report.

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**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96**

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

JULY 31, 2018

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2018**

1. SERVICES PROVIDED BY THE DISTRICT:

| | | | | | |
|--------------|---|-------|----------------------|--------------|------------|
| <u> X </u> | Retail Water | _____ | Wholesale Water | <u> X </u> | Drainage |
| <u> X </u> | Retail Wastewater | _____ | Wholesale Wastewater | _____ | Irrigation |
| <u> X </u> | Parks/Recreation | _____ | Fire Protection | <u> X </u> | Security |
| <u> X </u> | Solid Waste/Garbage | _____ | Flood Control | _____ | Roads |
| _____ | Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | | | |
| _____ | Other (specify): _____ | | | | |

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 1” METER (OR EQUIVALENT):

Based on the rate order approved May 1, 2018.

| | <u>Minimum Charge</u> | <u>Minimum Usage</u> | <u>Flat Rate</u> | <u>Rate per 1,000 Gallons over Minimum Use</u> | <u>Usage Levels</u> |
|-------------|---------------------------|--------------------------|----------------------|--|---------------------|
| WATER: | \$ 28.75 | 8,000 | N | \$ 2.57 | 8,001 to 14,999 |
| | | | | \$ 3.77 | 15,000 to 20,000 |
| | | | | \$ 4.17 | 20,001 to 25,000 |
| | | | | \$ 4.57 | 25,001 and up |
| WASTEWATER: | \$ 22.28 | 10,000 | N | \$ 1.23 | 10,001 to 15,000 |
| | | | | \$ 1.93 | 15,001 to 20,000 |
| | | | | \$ 2.23 | 20,001 to 25,000 |
| | | | | \$ 2.54 | 25,001 and up |
| SURCHARGE: | \$ -0- | | | | |

District employs winter averaging for wastewater usage?

_____ X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$33.89 Wastewater: \$22.28 Surcharge: \$0.00

See accompanying independent auditor’s report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2018**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

| Meter Size | Total Connections | Active Connections | ESFC Factor | Active ESFCs |
|---------------------------------|----------------------|-----------------------|----------------|-----------------|
| Unmetered | | | x 1.0 | |
| ≤ ³ / ₄ " | 1,435 | 1,425 | x 1.0 | 1,425 |
| 1" | 735 | 733 | x 2.5 | 1,833 |
| 1½" | 18 | 17 | x 5.0 | 85 |
| 2" | 68 | 68 | x 8.0 | 544 |
| 3" | 1 | 1 | x 15.0 | 15 |
| 4" | 1 | 1 | x 25.0 | 25 |
| 6" | | | x 50.0 | |
| 8" | 6 | 6 | x 80.0 | 480 |
| 10" | | | x 115.0 | |
| Total Water Connections | <u>2,264</u> | <u>2,251</u> | | <u>4,407</u> |
| Total Wastewater Connections | <u>2,084</u> | <u>2,072</u> | x 1.0 | <u>2,072</u> |

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR: (Unaudited)

Gallons purchased: 402,371,000* Water Accountability Ratio: 96.6%
(Gallons billed and sold/Gallons pumped and purchased)

Gallons billed to customers: 388,590,000

*The District purchases its water from the City of Houston, Texas. See Note 10.

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
SERVICES AND RATES
FOR THE YEAR ENDED JULY 31, 2018**

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

Does the District have Operation and Maintenance standby fees? Yes No

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County or Counties in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

Is the District located within a city's extra territorial jurisdiction (ETJ)?

Entirely Partly Not at all

ETJ's in which District is located:

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2018**

| | |
|-------------------------------------|---------------------|
| PROFESSIONAL FEES: | |
| Auditing | \$ 18,300 |
| Engineering | 51,337 |
| Legal | <u>133,126</u> |
| TOTAL PROFESSIONAL FEES | <u>\$ 202,763</u> |
| PURCHASED SERVICES FOR RESALE: | |
| Purchased Water Service | \$ 1,409,568 |
| Purchased Wastewater Service | <u>511,640</u> |
| TOTAL PURCHASED SERVICES FOR RESALE | <u>\$ 1,921,208</u> |
| CONTRACTED SERVICES: | |
| Bookkeeping | \$ 18,845 |
| Operations and Billing | 113,806 |
| Management Services | <u>69,932</u> |
| TOTAL CONTRACTED SERVICES | <u>\$ 202,583</u> |
| UTILITIES: | |
| Electricity | \$ 88,964 |
| Telephone | <u>15,474</u> |
| TOTAL UTILITIES | <u>\$ 104,438</u> |
| REPAIRS AND MAINTENANCE | <u>\$ 681,597</u> |
| ADMINISTRATIVE EXPENDITURES: | |
| Director Fees | \$ 15,750 |
| Dues | 3,945 |
| Election Costs | 155 |
| Insurance | 20,869 |
| Office Supplies and Postage | 105 |
| Payroll Taxes | 1,784 |
| Travel and Meetings | 6,044 |
| Other | <u>73,371</u> |
| TOTAL ADMINISTRATIVE EXPENDITURES | <u>\$ 122,023</u> |

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JULY 31, 2018**

| | |
|--------------------------|----------------------------|
| CAPITAL OUTLAY- | |
| Capitalized Assets | <u>\$ 1,684,946</u> |
| TAP CONNECTIONS | <u>\$ 9,419</u> |
| SOLID WASTE DISPOSAL | <u>\$ 345,722</u> |
| SECURITY | <u>\$ 346,555</u> |
| OTHER EXPENDITURES: | |
| Chemicals | \$ 260 |
| Laboratory Fees | 3,744 |
| Permit Fees | 8,645 |
| Inspection Fees | 25,917 |
| Regulatory Assessment | 12,307 |
| Other | <u>1,170</u> |
| TOTAL OTHER EXPENDITURES | <u>\$ 52,043</u> |
| TOTAL EXPENDITURES | <u><u>\$ 5,673,297</u></u> |

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
INVESTMENTS
JULY 31, 2018**

| <u>Funds</u> | <u>Identification or Certificate Number</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Balance at End of Year</u> | <u>Accrued Interest Receivable at End of Year</u> |
|------------------------------|---|--------------------------|--------------------------|-----------------------------------|---|
| <u>GENERAL FUND</u> | | | | | |
| Certificate of Deposit | XXXX1460 | 1.15% | 09/08/18 | \$ 245,000 | \$ 2,516 |
| Certificate of Deposit | XXXX9418 | 2.00% | 01/31/19 | 247,748 | |
| Certificate of Deposit | XXXX2572 | 2.20% | 01/30/19 | 247,109 | 15 |
| TexPool | XXXX0001 | Varies | Daily | 7,148,706 | |
| TOTAL GENERAL FUND | | | | <u>\$ 7,888,563</u> | <u>\$ 2,531</u> |
| <u>DEBT SERVICE FUND</u> | | | | | |
| Certificate of Deposit | XXXX1659 | 1.00% | 08/30/18 | \$ 245,000 | \$ 1,041 |
| Certificate of Deposit | XXXX8591 | 0.80% | 08/27/18 | 245,000 | 832 |
| Certificate of Deposit | XXXX1543 | 1.25% | 08/27/18 | 245,000 | 1,301 |
| Certificate of Deposit | XXXX0541 | 1.25% | 09/05/18 | 575,000 | 2,914 |
| TexPool | XXXX0002 | Varies | Daily | 5,172,952 | |
| TOTAL DEBT SERVICE FUND | | | | <u>\$ 6,482,952</u> | <u>\$ 6,088</u> |
| <u>CAPITAL PROJECTS FUND</u> | | | | | |
| TexPool | XXXX0005 | Varies | Daily | \$ 769,610 | \$ - 0 - |
| TOTAL - ALL FUNDS | | | | <u>\$ 15,141,125</u> | <u>\$ 8,619</u> |

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2018**

| | Maintenance Taxes | | Debt Service Taxes | |
|-----------------------------|-------------------|------------------|--------------------|-----------------------------------|
| TAXES RECEIVABLE - | | | | |
| AUGUST 1, 2017 | \$ | 65,527 | | \$ 131,737 |
| Adjustments to Beginning | | | | |
| Balance | | <u>(19,809)</u> | \$ 45,718 | <u>(23,699)</u> \$ 108,038 |
| Original 2017 Tax Levy | \$ | 2,992,181 | | \$ 4,189,053 |
| Adjustment to 2017 Tax Levy | | <u>90,677</u> | <u>3,082,858</u> | <u>126,948</u> <u>4,316,001</u> |
| TOTAL TO BE | | | | |
| ACCOUNTED FOR | | \$ 3,128,576 | | \$ 4,424,039 |
| TAX COLLECTIONS: | | | | |
| Prior Years | \$ | 9,733 | | \$ 24,622 |
| Current Year | | <u>3,072,183</u> | <u>3,081,916</u> | <u>4,301,055</u> <u>4,325,677</u> |
| TAXES RECEIVABLE - | | | | |
| JULY 31, 2018 | | <u>\$ 46,660</u> | | <u>\$ 98,362</u> |
| TAXES RECEIVABLE BY | | | | |
| YEAR: | | | | |
| 2017 | | \$ 10,675 | | \$ 14,946 |
| 2016 | | 5,541 | | 8,149 |
| 2015 | | 4,887 | | 7,475 |
| 2014 | | 3,412 | | 5,791 |
| 2013 | | 1,621 | | 4,473 |
| 2012 | | 2,377 | | 6,074 |
| 2011 | | 2,642 | | 6,509 |
| 2010 and prior | | <u>15,505</u> | | <u>44,945</u> |
| TOTAL | | <u>\$ 46,660</u> | | <u>\$ 98,362</u> |

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JULY 31, 2018**

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| PROPERTY VALUATIONS: | | | | |
| Land | \$ 166,591,026 | \$ 162,225,161 | \$ 157,601,492 | \$ 168,264,141 |
| Improvements | 727,742,479 | 716,374,647 | 687,872,999 | 596,818,063 |
| Personal Property | 16,616,800 | 17,331,387 | 20,426,659 | 14,747,899 |
| Exemptions | <u>(30,133,728)</u> | <u>(29,543,530)</u> | <u>(30,441,701)</u> | <u>(43,768,042)</u> |
| TOTAL PROPERTY VALUATIONS | <u>\$ 880,816,577</u> | <u>\$ 866,387,665</u> | <u>\$ 835,459,449</u> | <u>\$ 736,062,061</u> |
| TAX RATES PER \$100 VALUATION: | | | | |
| Debt Service | \$ 0.49 | \$ 0.50 | \$ 0.52 | \$ 0.56 |
| Maintenance | <u>0.35</u> | <u>0.34</u> | <u>0.34</u> | <u>0.33</u> |
| TOTAL TAX RATES PER \$100 VALUATION | <u>\$ 0.84</u> | <u>\$ 0.84</u> | <u>\$ 0.86</u> | <u>\$ 0.89</u> |
| ADJUSTED TAX LEVY* | <u>\$ 7,398,859</u> | <u>\$ 7,277,656</u> | <u>\$ 7,184,951</u> | <u>\$ 6,550,953</u> |
| PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED | <u>99.65 %</u> | <u>99.81 %</u> | <u>99.83 %</u> | <u>99.86 %</u> |

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

Maintenance Tax – Maximum tax rate of \$1.50 per \$100 of assessed valuation approved by voters on May 5, 2001.

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018**

| S E R I E S - 2 0 0 8 | | | |
|--|---------------------------------|---|--------------|
| Due During Fiscal Years Ending July 31 | Principal Due September 1 | Interest Due September 1/ March 1 | Total |
| 2019 | \$ 150,000 | \$ 70,000 | \$ 220,000 |
| 2020 | 150,000 | 64,000 | 214,000 |
| 2021 | 175,000 | 57,500 | 232,500 |
| 2022 | | 54,000 | 54,000 |
| 2023 | | 54,000 | 54,000 |
| 2024 | | 54,000 | 54,000 |
| 2025 | | 54,000 | 54,000 |
| 2026 | | 54,000 | 54,000 |
| 2027 | | 54,000 | 54,000 |
| 2028 | | 54,000 | 54,000 |
| 2029 | | 54,000 | 54,000 |
| 2030 | | 54,000 | 54,000 |
| 2031 | | 54,000 | 54,000 |
| 2032 | | 54,000 | 54,000 |
| 2033 | 600,000 | 40,500 | 640,500 |
| 2034 | 600,000 | 13,500 | 613,500 |
| | \$ 1,675,000 | \$ 839,500 | \$ 2,514,500 |

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018**

| S E R I E S - 2 0 0 9 | | | |
|--|---------------------------------|---|------------|
| Due During Fiscal Years Ending July 31 | Principal Due September 1 | Interest Due September 1/ March 1 | Total |
| 2019 | \$ 175,000 | \$ 30,775 | \$ 205,775 |
| 2020 | 200,000 | 22,200 | 222,200 |
| 2021 | 200,000 | 13,600 | 213,600 |
| 2022 | 200,000 | 4,600 | 204,600 |
| 2023 | | | |
| 2024 | | | |
| 2025 | | | |
| 2026 | | | |
| 2027 | | | |
| 2028 | | | |
| 2029 | | | |
| 2030 | | | |
| 2031 | | | |
| 2032 | | | |
| 2033 | | | |
| 2034 | | | |
| | \$ 775,000 | \$ 71,175 | \$ 846,175 |

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018**

S E R I E S - 2 0 1 0

| Due During Fiscal Years Ending July 31 | Principal Due September 1 | Interest Due September 1/ March 1 | Total |
|--|---------------------------------|---|---------------------|
| 2019 | \$ 125,000 | \$ 192,781 | \$ 317,781 |
| 2020 | 125,000 | 187,000 | 312,000 |
| 2021 | 125,000 | 182,000 | 307,000 |
| 2022 | 150,000 | 176,500 | 326,500 |
| 2023 | 150,000 | 170,500 | 320,500 |
| 2024 | 150,000 | 164,500 | 314,500 |
| 2025 | 175,000 | 158,000 | 333,000 |
| 2026 | 175,000 | 151,000 | 326,000 |
| 2027 | 200,000 | 143,500 | 343,500 |
| 2028 | 200,000 | 135,375 | 335,375 |
| 2029 | 500,000 | 120,625 | 620,625 |
| 2030 | 500,000 | 99,375 | 599,375 |
| 2031 | 500,000 | 77,812 | 577,812 |
| 2032 | 500,000 | 55,938 | 555,938 |
| 2033 | 500,000 | 33,750 | 533,750 |
| 2034 | 500,000 | 11,250 | 511,250 |
| | <u>\$ 4,575,000</u> | <u>\$ 2,059,906</u> | <u>\$ 6,634,906</u> |

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018**

SERIES - 2011 REFUNDING

| Due During Fiscal Years Ending July 31 | Principal Due September 1 | Interest Due September 1/ March 1 | Total |
|--|---------------------------------|---|---------------------|
| 2019 | \$ 290,000 | \$ 105,219 | \$ 395,219 |
| 2020 | 305,000 | 97,020 | 402,020 |
| 2021 | 315,000 | 87,522 | 402,522 |
| 2022 | 320,000 | 77,400 | 397,400 |
| 2023 | 335,000 | 65,500 | 400,500 |
| 2024 | 345,000 | 51,900 | 396,900 |
| 2025 | 360,000 | 37,800 | 397,800 |
| 2026 | 375,000 | 23,100 | 398,100 |
| 2027 | 390,000 | 7,800 | 397,800 |
| 2028 | | | |
| 2029 | | | |
| 2030 | | | |
| 2031 | | | |
| 2032 | | | |
| 2033 | | | |
| 2034 | | | |
| | <u>\$ 3,035,000</u> | <u>\$ 553,261</u> | <u>\$ 3,588,261</u> |

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018**

SERIES - 2012 REFUNDING

| Due During Fiscal Years Ending July 31 | Principal Due September 1 | Interest Due September 1/ March 1 | Total |
|--|---------------------------------|---|---------------------|
| 2019 | \$ 710,000 | \$ 265,750 | \$ 975,750 |
| 2020 | 725,000 | 251,400 | 976,400 |
| 2021 | 745,000 | 232,975 | 977,975 |
| 2022 | 775,000 | 210,175 | 985,175 |
| 2023 | 810,000 | 186,400 | 996,400 |
| 2024 | 835,000 | 161,725 | 996,725 |
| 2025 | 865,000 | 131,900 | 996,900 |
| 2026 | 910,000 | 96,400 | 1,006,400 |
| 2027 | 955,000 | 59,100 | 1,014,100 |
| 2028 | 1,000,000 | 20,000 | 1,020,000 |
| 2029 | | | |
| 2030 | | | |
| 2031 | | | |
| 2032 | | | |
| 2033 | | | |
| 2034 | | | |
| | <u>\$ 8,330,000</u> | <u>\$ 1,615,825</u> | <u>\$ 9,945,825</u> |

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018**

SERIES - 2013 REFUNDING

| Due During Fiscal Years Ending July 31 | Principal Due September 1 | Interest Due September 1/ March 1 | Total |
|--|---------------------------------|---|---------------------|
| 2019 | \$ 535,000 | \$ 200,563 | \$ 735,563 |
| 2020 | 525,000 | 187,337 | 712,337 |
| 2021 | 520,000 | 171,662 | 691,662 |
| 2022 | 515,000 | 156,138 | 671,138 |
| 2023 | 510,000 | 140,125 | 650,125 |
| 2024 | 505,000 | 123,000 | 628,000 |
| 2025 | 495,000 | 104,882 | 599,882 |
| 2026 | 495,000 | 85,700 | 580,700 |
| 2027 | 490,000 | 66,000 | 556,000 |
| 2028 | 620,000 | 43,800 | 663,800 |
| 2029 | 785,000 | 15,700 | 800,700 |
| 2030 | | | |
| 2031 | | | |
| 2032 | | | |
| 2033 | | | |
| 2034 | | | |
| | <u>\$ 5,995,000</u> | <u>\$ 1,294,907</u> | <u>\$ 7,289,907</u> |

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018**

| S E R I E S - 2 0 1 4 | | | |
|--|---------------------------------|---|--------------|
| Due During Fiscal Years Ending July 31 | Principal Due September 1 | Interest Due September 1/ March 1 | Total |
| 2019 | \$ 350,000 | \$ 171,756 | \$ 521,756 |
| 2020 | 350,000 | 164,757 | 514,757 |
| 2021 | 350,000 | 157,319 | 507,319 |
| 2022 | 350,000 | 149,006 | 499,006 |
| 2023 | 350,000 | 139,381 | 489,381 |
| 2024 | 350,000 | 128,881 | 478,881 |
| 2025 | 350,000 | 118,164 | 468,164 |
| 2026 | 330,000 | 107,331 | 437,331 |
| 2027 | 325,000 | 96,484 | 421,484 |
| 2028 | 325,000 | 85,312 | 410,312 |
| 2029 | 325,000 | 73,125 | 398,125 |
| 2030 | 325,000 | 60,125 | 385,125 |
| 2031 | 325,000 | 47,125 | 372,125 |
| 2032 | 325,000 | 34,125 | 359,125 |
| 2033 | 325,000 | 20,719 | 345,719 |
| 2034 | 325,000 | 6,906 | 331,906 |
| | \$ 5,380,000 | \$ 1,560,516 | \$ 6,940,516 |

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018**

SERIES - 2014 REFUNDING

| Due During Fiscal Years Ending July 31 | Principal Due September 1 | Interest Due September 1/ March 1 | Total |
|--|---------------------------------|---|---------------------|
| 2019 | \$ 165,000 | \$ 117,050 | \$ 282,050 |
| 2020 | 160,000 | 113,800 | 273,800 |
| 2021 | 160,000 | 110,600 | 270,600 |
| 2022 | 155,000 | 106,675 | 261,675 |
| 2023 | 155,000 | 102,025 | 257,025 |
| 2024 | 150,000 | 97,450 | 247,450 |
| 2025 | | 95,200 | 95,200 |
| 2026 | | 95,200 | 95,200 |
| 2027 | | 95,200 | 95,200 |
| 2028 | | 95,200 | 95,200 |
| 2029 | | 95,200 | 95,200 |
| 2030 | 800,000 | 79,200 | 879,200 |
| 2031 | 795,000 | 47,300 | 842,300 |
| 2032 | 785,000 | 15,700 | 800,700 |
| 2033 | | | |
| 2034 | | | |
| | <u>\$ 3,325,000</u> | <u>\$ 1,265,800</u> | <u>\$ 4,590,800</u> |

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018**

SERIES - 2015 REFUNDING

| Due During Fiscal Years Ending July 31 | Principal Due September 1 | Interest Due September 1/ March 1 | Total |
|--|---------------------------------|---|---------------------|
| 2019 | \$ 35,000 | \$ 165,894 | \$ 200,894 |
| 2020 | 35,000 | 165,194 | 200,194 |
| 2021 | 40,000 | 164,244 | 204,244 |
| 2022 | 40,000 | 163,044 | 203,044 |
| 2023 | 40,000 | 161,844 | 201,844 |
| 2024 | 40,000 | 160,644 | 200,644 |
| 2025 | 190,000 | 157,194 | 347,194 |
| 2026 | 190,000 | 150,544 | 340,544 |
| 2027 | 195,000 | 142,844 | 337,844 |
| 2028 | 285,000 | 133,244 | 418,244 |
| 2029 | 690,000 | 116,762 | 806,762 |
| 2030 | 675,000 | 95,434 | 770,434 |
| 2031 | 665,000 | 74,080 | 739,080 |
| 2032 | 680,000 | 52,225 | 732,225 |
| 2033 | 865,000 | 26,578 | 891,578 |
| 2034 | 355,000 | 5,991 | 360,991 |
| | <u>\$ 5,020,000</u> | <u>\$ 1,935,760</u> | <u>\$ 6,955,760</u> |

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018**

| S E R I E S - 2 0 1 6 | | | |
|--|---------------------------------|---|--------------|
| Due During Fiscal Years Ending July 31 | Principal Due September 1 | Interest Due September 1/ March 1 | Total |
| 2019 | \$ 250,000 | \$ 82,688 | \$ 332,688 |
| 2020 | 250,000 | 77,688 | 327,688 |
| 2021 | 250,000 | 72,688 | 322,688 |
| 2022 | 250,000 | 67,688 | 317,688 |
| 2023 | 250,000 | 62,688 | 312,688 |
| 2024 | 250,000 | 57,688 | 307,688 |
| 2025 | 250,000 | 52,688 | 302,688 |
| 2026 | 250,000 | 47,688 | 297,688 |
| 2027 | 250,000 | 42,531 | 292,531 |
| 2028 | 250,000 | 37,063 | 287,063 |
| 2029 | 250,000 | 31,125 | 281,125 |
| 2030 | 200,000 | 25,500 | 225,500 |
| 2031 | 200,000 | 20,250 | 220,250 |
| 2032 | 200,000 | 14,750 | 214,750 |
| 2033 | 200,000 | 9,000 | 209,000 |
| 2034 | 200,000 | 3,000 | 203,000 |
| | \$ 3,750,000 | \$ 704,723 | \$ 4,454,723 |

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018**

SERIES - 2016 REFUNDING

| Due During Fiscal Years Ending July 31 | Principal Due September 1 | Interest Due September 1/ March 1 | Total |
|--|---------------------------------|---|---------------------|
| 2019 | \$ 20,000 | \$ 191,075 | \$ 211,075 |
| 2020 | 20,000 | 190,675 | 210,675 |
| 2021 | 20,000 | 190,275 | 210,275 |
| 2022 | 220,000 | 187,875 | 407,875 |
| 2023 | 450,000 | 180,050 | 630,050 |
| 2024 | 480,000 | 167,225 | 647,225 |
| 2025 | 475,000 | 151,713 | 626,713 |
| 2026 | 520,000 | 134,300 | 654,300 |
| 2027 | 515,000 | 114,900 | 629,900 |
| 2028 | 710,000 | 90,400 | 800,400 |
| 2029 | 480,000 | 66,600 | 546,600 |
| 2030 | 480,000 | 47,400 | 527,400 |
| 2031 | 475,000 | 28,300 | 503,300 |
| 2032 | 470,000 | 9,400 | 479,400 |
| 2033 | | | |
| 2034 | | | |
| | <u>\$ 5,335,000</u> | <u>\$ 1,750,188</u> | <u>\$ 7,085,188</u> |

See accompanying independent auditor's report.

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**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
LONG-TERM DEBT SERVICE REQUIREMENTS
JULY 31, 2018**

ANNUAL REQUIREMENTS
FOR ALL SERIES

| Due During Fiscal Years Ending July 31 | Total Principal Due | Total Interest Due | Total Principal and Interest Due |
|--|------------------------|-----------------------|--|
| 2019 | \$ 2,805,000 | \$ 1,593,551 | \$ 4,398,551 |
| 2020 | 2,845,000 | 1,521,071 | 4,366,071 |
| 2021 | 2,900,000 | 1,440,385 | 4,340,385 |
| 2022 | 2,975,000 | 1,353,101 | 4,328,101 |
| 2023 | 3,050,000 | 1,262,513 | 4,312,513 |
| 2024 | 3,105,000 | 1,167,013 | 4,272,013 |
| 2025 | 3,160,000 | 1,061,541 | 4,221,541 |
| 2026 | 3,245,000 | 945,263 | 4,190,263 |
| 2027 | 3,320,000 | 822,359 | 4,142,359 |
| 2028 | 3,390,000 | 694,394 | 4,084,394 |
| 2029 | 3,030,000 | 573,137 | 3,603,137 |
| 2030 | 2,980,000 | 461,034 | 3,441,034 |
| 2031 | 2,960,000 | 348,867 | 3,308,867 |
| 2032 | 2,960,000 | 236,138 | 3,196,138 |
| 2033 | 2,490,000 | 130,547 | 2,620,547 |
| 2034 | 1,980,000 | 40,647 | 2,020,647 |
| | <u>\$ 47,195,000</u> | <u>\$ 13,651,561</u> | <u>\$ 60,846,561</u> |

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2018**

| Description | Original Bonds Issued | Bonds Outstanding August 1, 2017 |
|--|-----------------------------|--|
| Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2008 | \$ 8,160,000 | \$ 1,825,000 |
| Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2009 | 5,550,000 | 950,000 |
| Harris County Water Control Improvement District No. 96 Unlimited Tax Park Bonds - Series 2010 | 5,315,000 | 4,700,000 |
| Harris County Water Control Improvement District No. 96 Unlimited Tax Refunding Bonds - Series 2011 | 4,775,000 | 3,325,000 |
| Harris County Water Control Improvement District No. 96 Unlimited Tax Refunding Bonds - Series 2012 | 9,305,000 | 9,010,000 |
| Harris County Water Control Improvement District No. 96 Unlimited Tax Refunding Bonds - Series 2013 | 8,310,000 | 6,540,000 |
| Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2014 | 6,430,000 | 5,730,000 |
| Harris County Water Control Improvement District No. 96 Unlimited Tax Refunding Bonds - Series 2014 | 3,370,000 | 3,340,000 |
| Harris County Water Control Improvement District No. 96 Unlimited Tax Refunding Bonds - Series 2015 | 5,245,000 | 5,205,000 |
| Harris County Water Control Improvement District No. 96 Unlimited Tax Bonds - Series 2016 | 4,000,000 | 4,000,000 |
| Harris County Water Control Improvement District No. 96 Unlimited Tax Refunding Bonds - Series 2016 | <u>5,355,000</u> | <u>5,355,000</u> |
| TOTAL | <u><u>\$ 65,815,000</u></u> | <u><u>\$ 49,980,000</u></u> |

See accompanying independent auditor's report.

| <u>Current Year Transactions</u> | | | | |
|----------------------------------|---------------------|---------------------|--|---|
| <u>Bonds Sold</u> | <u>Retirements</u> | | <u>Bonds Outstanding July 31, 2018</u> | <u>Paying Agent</u> |
| | <u>Principal</u> | <u>Interest</u> | | |
| | \$ 150,000 | \$ 77,125 | \$ 1,675,000 | Wells Fargo Bank N.A. Houston, TX |
| | 175,000 | 39,525 | 775,000 | Wells Fargo Bank N.A. Houston, TX |
| | 125,000 | 199,344 | 4,575,000 | Wells Fargo Bank N.A. Houston, TX |
| | 290,000 | 112,106 | 3,035,000 | Wells Fargo Bank N.A. Fort Worth, TX |
| | 680,000 | 279,650 | 8,330,000 | Wells Fargo Bank N.A. Houston, TX |
| | 545,000 | 211,362 | 5,995,000 | Wells Fargo Bank N.A. Minneapolis, MN |
| | 350,000 | 178,756 | 5,380,000 | Wells Fargo Bank N.A. Minneapolis, MN |
| | 15,000 | 118,850 | 3,325,000 | Wells Fargo Bank N.A. Minneapolis, MN |
| | 185,000 | 168,094 | 5,020,000 | Bank of New York Mellon Trust Dallas, TX |
| | 250,000 | 87,688 | 3,750,000 | Bank of New York Mellon Trust Dallas, TX |
| | 20,000 | 191,475 | 5,335,000 | Bank of New York Mellon Trust Dallas, TX |
| <u>\$ - 0 -</u> | <u>\$ 2,785,000</u> | <u>\$ 1,663,975</u> | <u>\$ 47,195,000</u> | |

See accompanying independent auditor's report.

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**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED JULY 31, 2018**

| Bond Authority: | <u>Tax Bonds*</u> | <u>Refunding Bonds</u> | <u>Park Bonds</u> |
|---|----------------------|------------------------|---------------------|
| Amount Authorized by Voters | \$ 88,000,000 | \$ 132,000,000 | \$ 8,000,000 |
| Amount Issued | <u>62,480,000</u> | <u>2,212,696</u> | <u>5,315,000</u> |
| Remaining to be Issued | <u>\$ 25,520,000</u> | <u>\$ 129,787,304</u> | <u>\$ 2,685,000</u> |
| Debt Service Fund cash and investments balances as of July 31, 2018: | | | <u>\$ 7,460,871</u> |
| Average annual debt service payment (principal and interest) for remaining term of all debt: | | | <u>\$ 3,802,910</u> |

See Note 3 for interest rate, interest payment dates and maturity dates.

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

| | Amounts | | |
|---|---------------------|---------------------|---------------------|
| | 2018 | 2017 | 2016 |
| REVENUES | | | |
| Property Taxes | \$ 3,081,916 | \$ 2,888,041 | \$ 2,837,069 |
| Water Service | 1,678,834 | 1,515,588 | 1,409,681 |
| Wastewater Service | 809,092 | 812,879 | 799,002 |
| Sales Tax Revenue | 99,448 | 95,551 | 97,856 |
| Penalty and Interest | 25,667 | 30,099 | 28,710 |
| Tap Connection and Inspection Fees | 137,875 | 81,433 | 132,397 |
| Investment Revenues | 92,758 | 24,126 | 10,375 |
| Miscellaneous Revenues | 54,054 | 51,023 | 47,686 |
| TOTAL REVENUES | <u>\$ 5,979,644</u> | <u>\$ 5,498,740</u> | <u>\$ 5,362,776</u> |
| EXPENDITURES | | | |
| Professional Fees | \$ 202,763 | \$ 215,392 | \$ 224,100 |
| Contracted Services | 894,860 | 877,226 | 885,880 |
| Purchased Water Service | 1,409,568 | 1,361,419 | 1,455,669 |
| Purchased Wastewater Service | 511,640 | 500,122 | 532,295 |
| Utilities | 104,438 | 108,065 | 110,721 |
| Repairs and Maintenance | 681,597 | 589,087 | 582,163 |
| Other | 183,485 | 147,593 | 149,749 |
| Capital Outlay | 1,684,946 | 765,725 | 812,265 |
| TOTAL EXPENDITURES | <u>\$ 5,673,297</u> | <u>\$ 4,564,629</u> | <u>\$ 4,752,842</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>\$ 306,347</u> | <u>\$ 934,111</u> | <u>\$ 609,934</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In (Out) | <u>\$ - 0 -</u> | <u>\$ 2,930,038</u> | <u>\$ (1,061)</u> |
| NET CHANGE IN FUND BALANCE | \$ 306,347 | \$ 3,864,149 | \$ 608,873 |
| BEGINNING FUND BALANCE | <u>8,030,051</u> | <u>4,165,902</u> | <u>3,557,029</u> |
| ENDING FUND BALANCE | <u>\$ 8,336,398</u> | <u>\$ 8,030,051</u> | <u>\$ 4,165,902</u> |

See accompanying independent auditor's report.

| | | Percentage of Total Revenue | | | | |
|---------------------|---------------------|-----------------------------|----------------|----------------|----------------|----------------|
| 2015 | 2014 | 2018 | 2017 | 2016 | 2015 | 2014 |
| \$ 2,429,328 | \$ 1,545,958 | 51.5 % | 52.6 % | 52.9 % | 53.7 % | 40.1 % |
| 1,144,222 | 1,178,292 | 28.1 | 27.6 | 26.3 | 25.3 | 30.6 |
| 707,214 | 744,752 | 13.5 | 14.8 | 14.9 | 15.6 | 19.4 |
| 96,774 | 84,058 | 1.7 | 1.7 | 1.8 | 2.1 | 2.2 |
| 34,262 | 38,963 | 0.4 | 0.5 | 0.5 | 0.8 | 1.0 |
| 59,346 | 187,012 | 2.3 | 1.5 | 2.5 | 1.3 | 4.9 |
| 6,635 | 6,424 | 1.6 | 0.4 | 0.2 | 0.1 | 0.2 |
| 49,093 | 60,505 | 0.9 | 0.9 | 0.9 | 1.1 | 1.6 |
| <u>\$ 4,526,874</u> | <u>\$ 3,845,964</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> |
| \$ 207,533 | \$ 211,773 | 3.3 % | 3.8 % | 4.2 % | 4.5 % | 5.5 % |
| 710,372 | 694,218 | 15.0 | 15.9 | 16.5 | 15.7 | 18.2 |
| 1,087,314 | 1,199,236 | 23.6 | 24.8 | 27.1 | 24.0 | 31.2 |
| 421,225 | 439,686 | 8.6 | 9.1 | 9.9 | 9.3 | 11.4 |
| 112,197 | 104,608 | 1.7 | 2.0 | 2.1 | 2.5 | 2.7 |
| 681,824 | 616,476 | 11.4 | 10.7 | 10.9 | 15.1 | 16.0 |
| 195,457 | 192,650 | 3.1 | 2.7 | 2.8 | 4.3 | 5.0 |
| 138,608 | 108,458 | 28.2 | 13.9 | 15.1 | 3.1 | 2.8 |
| <u>\$ 3,554,530</u> | <u>\$ 3,567,105</u> | <u>94.9 %</u> | <u>82.9 %</u> | <u>88.6 %</u> | <u>78.5 %</u> | <u>92.8 %</u> |
| \$ 972,344 | \$ 278,859 | 5.1 % | 17.1 % | 11.4 % | 21.5 % | 7.2 % |
| <u>\$ (30,680)</u> | <u>\$ 33,246</u> | | | | | |
| \$ 941,664 | \$ 312,105 | | | | | |
| <u>2,615,365</u> | <u>2,303,260</u> | | | | | |
| <u>\$ 3,557,029</u> | <u>\$ 2,615,365</u> | | | | | |

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

| | Amounts | | |
|--|---------------------|---------------------|---------------------|
| | 2018 | 2017 | 2016 |
| REVENUES | | | |
| Property Taxes | \$ 4,325,677 | \$ 4,231,315 | \$ 4,340,841 |
| Penalty and Interest | 73,284 | 39,210 | 49,597 |
| Interest on Investments | 73,128 | 22,029 | 11,660 |
| Miscellaneous Revenues | 225 | 221 | 306 |
| TOTAL REVENUES | \$ 4,472,314 | \$ 4,292,775 | \$ 4,402,404 |
| EXPENDITURES | | | |
| Tax Collection Expenditures | \$ 114,559 | \$ 99,504 | \$ 105,612 |
| Debt Service Principal | 2,785,000 | 2,485,000 | 2,375,000 |
| Debt Service Interest and Fees | 1,672,075 | 1,722,761 | 1,761,782 |
| Bond Issuance Costs | | | 213,766 |
| Payment to Refunded Bond Escrow Agent | | | |
| TOTAL EXPENDITURES | \$ 4,571,634 | \$ 4,307,265 | \$ 4,456,160 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | \$ (99,320) | \$ (14,490) | \$ (53,756) |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds of Refunding Bonds | \$ | \$ | \$ 5,355,000 |
| Payment to Refunding Bond Escrow Agent | | | (5,721,561) |
| Bond Premium | | | 536,785 |
| TOTAL OTHER FINANCING SOURCES, NET | \$ - 0 - | \$ - 0 - | \$ 170,224 |
| NET CHANGE IN FUND BALANCE | \$ (99,320) | \$ (14,490) | \$ 116,468 |
| BEGINNING FUND BALANCE | 7,502,505 | 7,516,995 | 7,400,527 |
| ENDING FUND BALANCE | \$ 7,403,185 | \$ 7,502,505 | \$ 7,516,995 |
| TOTAL ACTIVE RETAIL WATER CONNECTIONS | 2,251 | 2,244 | 2,232 |
| TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS | 2,072 | 2,073 | 2,060 |

See accompanying independent auditor's report.

| | | Percentage of Total Revenue | | | | |
|---------------------|---------------------|-----------------------------|----------------|----------------|----------------|----------------|
| 2015 | 2014 | 2018 | 2017 | 2016 | 2015 | 2014 |
| \$ 4,148,787 | \$ 4,265,985 | 96.8 % | 98.6 % | 98.6 % | 98.8 % | 98.9 % |
| 41,358 | 33,787 | 1.6 | 0.9 | 1.1 | 1.0 | 0.8 |
| 8,342 | 8,490 | 1.6 | 0.5 | 0.3 | 0.2 | 0.2 |
| 347 | 5,415 | | | | | 0.1 |
| <u>\$ 4,198,834</u> | <u>\$ 4,313,677</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> | <u>100.0 %</u> |
| \$ 97,954 | \$ 88,120 | 2.5 % | 2.3 % | 2.4 % | 2.3 % | 2.0 % |
| 1,905,000 | 1,915,000 | 62.3 | 57.9 | 53.9 | 45.4 | 44.5 |
| 1,942,929 | 1,796,313 | 37.4 | 40.1 | 40.0 | 46.3 | 41.6 |
| 350,161 | 300,681 | | | 4.9 | 8.3 | 7.0 |
| 67,000 | 148,000 | | | | 1.6 | 3.4 |
| <u>\$ 4,363,044</u> | <u>\$ 4,248,114</u> | <u>102.2 %</u> | <u>100.3 %</u> | <u>101.2 %</u> | <u>103.9 %</u> | <u>98.5 %</u> |
| <u>\$ (164,210)</u> | <u>\$ 65,563</u> | <u>(2.2) %</u> | <u>(0.3) %</u> | <u>(1.2) %</u> | <u>(3.9) %</u> | <u>1.5 %</u> |
| \$ 8,615,000 | \$ 8,506,256 | | | | | |
| (8,378,996) | (8,236,766) | | | | | |
| 117,074 | 228,198 | | | | | |
| <u>\$ 353,078</u> | <u>\$ 497,688</u> | | | | | |
| \$ 188,868 | \$ 563,251 | | | | | |
| 7,211,659 | 6,648,408 | | | | | |
| <u>\$ 7,400,527</u> | <u>\$ 7,211,659</u> | | | | | |
| <u>2,218</u> | <u>2,201</u> | | | | | |
| <u>2,047</u> | <u>2,029</u> | | | | | |

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2018**

District Mailing Address - Harris County Water Control and Improvement District No. 96
c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP
1980 Post Oak Blvd., Suite 1380
Houston, TX 77056

District Telephone Number - (713) 850-9000

| Board Members | Term of Office (Elected or <u>Appointed</u>) | Fees of office for the year ended <u>July 31, 2018</u> | Expense reimbursements for the year ended <u>July 31, 2018</u> | <u>Title</u> |
|----------------------|---|---|--|-------------------------|
| Lonnie Jackson | 05/18 - 05/22 (Elected) | \$ 4,200 | \$ 2,434 | President |
| Brett Sileo | 05/16 - 05/20 (Elected) | \$ 2,400 | \$ 165 | Vice President |
| Ben Bates | 05/16 - 05/20 (Elected) | \$ 3,750 | \$ 1,819 | Secretary/ Treasurer |
| Amber Hurd | 05/18 - 05/22 (Elected) | \$ 1,950 | \$ 170 | Assistant Secretary |
| Linda Ihns | 05/18 - 05/22 (Elected) | \$ 3,450 | \$ 1,455 | Assistant Secretary |

Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developer or with any of the District's consultants.

Submission Date of most recent District Registration Form (TWC Sections 36.054 and 49.054):
May 4, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by the Commission (TWC Section 49.060). The District has only approved fees of office of \$6,000 per year per resolution approved on July 17, 2001. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**HARRIS COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 96
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2018**

| Consultants: | <u>Date Hired</u> | <u>Fees for the year ended July 31, 2018</u> | <u>Title</u> |
|--|-------------------|--|---|
| Sanford Kuhl Hagan Kugle Parker Kahn LLP | 01/20/10 | \$ 154,069 | General Counsel/ Delinquent Tax Attorney/ Bond Counsel |
| McCall Gibson Swedlund Barfoot PLLC | 07/09/02 | \$ 18,300 | Auditor |
| L & S District Services, LLC | 12/21/00 | \$ 18,845 | Bookkeeper/ Investment Officer |
| Brown & Gay Engineers, Inc. | 11/14/00 | \$ 230,947 | Engineer |
| Masterson Advisors LLC | 05/01/18 | \$ -0- | Financial Advisor |
| Si Environmental, LLC | 05/01/12 | \$ 433,255 | Operator |
| Bob Leared | 07/17/01 | \$ 29,132 | Tax Assessor/ Collector |

See accompanying independent auditor's report.

